

Message Text

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21

ORIGIN COME-00

INFO OCT-01 NEA-10 ISO-00 EB-07 /018 R

DRAFTED BY CO;/BIC-,,7/DCLINVILLE/GJU
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R 162143Z JUL 75

FM SECSTATE WASHDC
TO AMEMBASSY JIDDA

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E. O. 11652: H/A

TAGS: 0EXP, SA, US

SUBJECT: BACKGROUND TO CANCELLATION OF AGREEMENT XENEL/
ANACONDA JOINT VENTURE

REF: JIDDA'S T-4,70, STATE'S 157101

1. WILLIAM R. OLSEN, VICE P,ESIDENT, ANACONDA COMPANY, WIRE
AND CABLE DIVISION, CALLED ON COMMERCE'S FOREIGN
INVESTMENT SERVICES STAFF (FISS) JULY 9 TO REVIEW THE
PROBLEMS THAT LED ANACONDA TO TERMINATE ITS AGREEMENT WITH
XENEL. OLSEN PINTOINTED SEVERAL KEY ELEMENTS WHICH LED
ANACONDA TO CONCLUDE THAT THE PROJECT IS NOT ECONOMICALLY
FEASIBLE. THESE INCLUDE (1) THE NEED TO IMPORT ALL OF
THE MATERIALS AND MUCH OF THE LABOR NECESSARY TO BUILD AND
RUN THE PLANT (2) THE LACK OF TARIFF PROTECTION WHICH IN
CONJUNCTION WITH THE PRESENT SOFT WORLD WIDE PRICE
STRUCTURE FOR WIRE AND CABLE WOULD IMFLUENCE THE SELLING
PRICE IN SAUDI ARABIA OLSEN NOTED THE LOCAL FIRM WOULD
HAVE FACED CONSIDERABLE COMPETITION FROM EUROPEAN IMPORTED
WIRE AND CABLE (3) THE ESCALATING COST OF THE PROJECT, THE
INITIAL ESTIMATED COST WAS 12-15 MILLION DOLLARS. THIS
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FIGURE HAS INCREASED TO 21 MILLION DOLLARS OVER THE PAST
YEAR; (4) A LACK OF POWER SUPPLIES REQUIRED FOR THE
PROPOSED FACILITY, AND (5) THE PROBLEM OF FINANCING WHICH
BECAME CRITICAL IN VIEW OF THE INCREASED COST OF THE

PROJECT, THE ORIGINAL EQUITY OF 1 MILLION DOLLARS UAS
INSUFFICIENT TO SUPPO,T A 21 MILLION DOLLAR PROJECT.
ANACONDA WAS NOT PREPARED, UNDER THESE CIRCUMSTANCES TO PUT
UP ADDITIONAL GUARANTEES.

,. OLSEN INFORMED FISS HE IS GOING TO MEET XENEL
REPRESENTATIVES IN LONDON TO WIND UP AFFAIRS ON THIS
MATTER.

DECONTROLLED FOLLOWING 7/14/76. KISSINGER

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